

H-3105-1 - COOPERATIVE CONSERVATION PROVISIONS

KeywordsVII. Approved Gas Storage AgreementA. General

A gas storage agreement provides for the subsurface storage of natural gas on Federal public domain or acquired lands, leased or unleased, whether such gas is actually produced from these Federal lands. Gas storage agreements allow Federal lands to be used to store natural gas during periods of excess production so that supplies will be available to meet peak demands. Various forms have been used for the approval of underground gas storage agreements over the years, however, use of a model form for new gas storage agreements shall be used, unless specific conditions require different terms (see Manual Section 3160-11). The approved gas storage agreement is to be entered in the ALMRS Case Recordation in accordance with the current data standards.

GAS STORAGE
AGREEMENT

Certain fees and payments are required for the subsurface storage of gas. An annual storage fee per net Federal mineral acre or fraction thereof is required for the lands in the gas storage area. Further, an injection fee and a withdrawal fee are required. The terms of the agreement provide for a renegotiation of the fees, except for certain older agreements (see Manual Section 3160-11).

Leases may be issued for unleased Federal lands containing a gas storage agreement. However, the specific formation or formations covered by the storage agreement must be excluded from the lands being offered for competitive sale (see Handbook 3120-1, Section III.C).

Any lease used for the underground storage of oil or gas shall be extended for the period of storage under an approved agreement. The obligation to pay annual lease rental continues during the extended period (see 43 CFR 3105.5-4).

LEASE EXTENDED
FOR PERIOD OF
GAS STORAGE
AGREEMENT

The inclusion of a portion of a Federal lease in a gas storage agreement shall not result in the segregation of the lease for the lands inside and outside the agreement area, as occurs with a unit agreement. Also, inclusion of a Federal lease in a gas storage agreement will not in itself result in the lease being placed in a minimum royalty status. And, unlike unit and communitization agreements, leases included in gas storage agreements are not eligible for a 2-year extension as a result of being eliminated from such an agreement or upon termination of such an agreement.

LEASES IN
GAS STORAGE
AGREEMENTS
NOT SUBJECT TO
SEGREGATION OR
LEASE EXTENSION

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B. Action on Leases in Agreement

Responsible Official	Step	Action	Keywords
Adjudication	1.	Receive copy from Field Office fluid mineral operations of the transmittal letter to the operator and a schedule of the leases affected (see Illustration 20).	GAS STORAGE AGREEMENT TRANSMITTAL LETTER
	2.	Request case files from Docket.	
Docket	3.	Charge case files to Adjudication.	
Adjudication	4.	Place copy of transmittal letter in each lease case file affected and stamp outside of case file: COMMITTED TO <u>(Name)</u> GAS STORAGE AGREEMENT, EFFECTIVE <u>(Date)</u> .	ACTION ON CASE FILES
	5.	If the lease account is in nonproducing status in MMS automated system, prepare an accounting advice to indicate that the lease will continue as long as committed to a gas storage agreement, and transfer account to nonterminable status in the MMS automated system (see Illustration 21).	ACCOUNTING ADVICE - GAS STORAGE AGREEMENT
		<p><u>NOTE:</u> The lease will remain in effect for the duration of the gas storage agreement. If the lease is in a producing status, the lease is extended for the term of the gas storage agreement and so long thereafter as oil or gas, not previously produced (stored), is produced in paying quantities. If the lease is in a nonproducing status, the obligation to pay annual rental continues during this extended period.</p>	
	6.	Send gas storage agreement to Title Records.	
Title Records	7.	Enter gas storage agreement area on oil and gas plat or other appropriate status records.	

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Responsible Official	Step	Action	Keywords
Adjudication	8.	Route case files for ALMRS Entry and to Docket for filing.	
ALMRS Entry	9.	Enter appropriate actions in Case Recordation using the current data standards:	AUTOMATED NOTATION
	9a.	Enter Action Date (MANDATORY ACTION CODE): Date lease committed to gas storage agreement (effective date of gas storage agreement); DE 1775 Action Code 248/DE 2910 Action Code 245; Action Remarks: Gas storage agreement serial number.	
	9b.	Enter Action Date (MANDATORY ACTION CODE): Date lease account transferred from nonproducing (terminable) status to producing (nonterminable) status; DE 1775 Action Code 057/DE 2910 Action Code 102.	
Docket	10.	File case files.	

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C. Action on Leases Upon Agreement Termination

Responsible Official	Step	Action	Keywords
Adjudication	1.	Receive copy of gas storage agreement termination notification from Field Office fluid mineral operations.	TERMINATION NOTIFICATION
	2.	Determine lease or leases affected by termination of the agreement and order case files from Docket.	
Docket	3.	Charge case files to Adjudication.	
Adjudication	4.	Send copy of termination notification to Title Records.	
Title Records	5.	Remove gas storage agreement notation from the oil and gas plat or other appropriate status records.	
Adjudication	6.	Place copy of termination notification in each lease case file affected. If the outside of the case file has been stamped to indicate that lease is within the agreement, remove such notations.	ACTION ON CASE FILES
	7.	Determine status of lease as a result of agreement termination.	
	7a.	If the lease was held solely by its inclusion in the gas storage agreement, termination of that agreement will cause the lease to expire (see Manual Section 3105.54). Prepare decision of notification of lease expiration (see Illustration 22).	GSA TERMINATED - LEASE EXPIRED
	7b.	If the lease is nonproducing and has passed the expiration date of its primary or fixed term, the lease expired simultaneously with the termination of the agreement. Notify the SO fluid lease adjudication personnel responsible for processing the termination and expiration list to ensure that the lease expiration is properly noted on the records.	

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Responsible

Official	Step	Action	Keywords
	7c.	If the lease is producing, the lease account remains in producing (nonterminable) status and no change in the MMS automated system is necessary.	GSA TERMINATED - LEASE STILL IN PRODUCING STATUS
	7d.	If the lease is nonproducing, and has not reached the end of its primary or fixed term, prepare an accounting advice showing the definite lease expiration date and change the lease to nonproducing (terminable) status in the MMS automated system (see Illustration 23).	GSA TERMINATED LEASE STILL IN PRIMARY/FIXED TERM ACCOUNTING ADVICE - GSA TERMINATED
	8.	Route case files for ALMRS Entry and to Docket for filing.	
ALMRS Entry	9.	Enter the required notations in Case Recordation using the current data standards:	AUTOMATED NOTATION
	9a.	Enter Action Date (MANDATORY ACTION CODE): Date gas storage agreement terminated; DE 1775 Action Code 260/DE 2910 Action Code 249; Action Remarks: Gas storage agreement serial number	
		Enter Action Date (MANDATORY ACTION CODE): Date lease account transferred from producing (nonterminable) status to nonproducing (terminable) status; DE 1775/2910 Action Code 058.	
		Enter Action Date (MANDATORY ACTION CODE): Update expiration date of primary or fixed term of lease; DE 1775/2910 Action Code 763.	

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